

Kentucky Agricultural Development Board

Minutes of the October Board Meeting

The regular meeting of the Kentucky Agricultural Development Board was held on **Friday, October 21, 2005** at **10:00 a.m. EDT**, at the Capitol Annex, Room 125. Commissioner Richie Farmer, presiding, called the meeting to order, and the Secretary called the roll.

Members Present

Donna Amburgey; H. H. Barlow; Daniel Case; John Cleaver; Rodney Dick; Commissioner Richie Farmer; Dennis Griffin; Sam Lawson; Jim Mahan; Sam Moore; Dean M. Scott Smith (Jimmy Henning, designee); Secretary Gene Strong (Don Goodin, designee)

Members Absent

Vickie Yates Brown; Governor Ernie Fletcher; Wayne Hunt

Others Present

Staff - Catherine Ball; Angela Blank; David Bratcher; Brian Furnish; Sandy Gardner; Tim Hughes; Maggie May; Bill McCloskey; Joel Neaveill; Keith Rogers; Nick Whobrey; Jessica Woolums; Stephen Yates **Guests** – Dr. Kaan Kurtural, University of Kentucky (UK); Dr. Tom Cottrell, UK Horticulture; Mac Stone, Kentucky Department of Agriculture (KDA); Kirk Martin, Ascending Partners; Brent Lackey, Kentucky Produce & Aquaculture Association; Joe Cecil, West Kentucky Growers Cooperative; Dr. Dewayne Ingram, UK Horticulture; Kim Phelps, Connect Kentucky; Berea Ernst, Community Farm Alliance; John Rediess, Jr., John's Custom Meats; Jeff Mowers, Cumberland Thoroughbred Training Center (CTTC); Diane Mowers, CTTC; Warren Beeler, KDA; Michael Judge, KDA; Dan Reeder, Northern Kentucky Cedar/Wooden Impressions; Alan Lutz, Three Rivers Farm

Notification of Media

Commissioner Farmer received verification from Keith L. Rogers, Chief Executive Officer, that the media had received notice regarding the Agricultural Development Board meeting.

Welcome

Commissioner Farmer apologized for missing the last couple of meetings, noting that he was glad to be back. Commissioner Farmer welcomed everyone to the meeting.

Approval of Minutes

Sam Lawson moved that the minutes of the September 16, 2005 meeting be approved; Donna Amburgey seconded the motion. The minutes were approved as presented.

Presentations

Grape & Wine Industry Update

Commissioner Farmer yielded the floor to Stephen Yates to introduce the speakers. Mr. Yates introduced Dr. Kaan Kurtural who is the newly hired viticulturalist at the University of Kentucky.

Dr. Kurtural presented the "State of the Grape and Wine Industry in Kentucky," which included a review of the economic impact of the industry in the surrounding states.

Dr. Kurtural reviewed the current opportunities for the grape & wine industry, as well as tools and criteria for site selection for growing wine grapes.

Dr. Kurtural reviewed cultivars and training systems, along with profitability information. Dr. Kurtural noted that there is a deficit of grapes being produced in the Commonwealth to supply Kentucky wineries.

Dr. Kurtural showed a graph explaining the potential net returns per acre by variety of grape produced.

Dr. Kurtural closed and took questions from the Board.

Dr. Tom Cottrell, UK Enologist, presented the "State of Kentucky Wineries," noting that they are varied, fragmented, and very small. He added that they are burgeoning and unified as a group.

Dr. Cottrell stated that there are 39+ wineries with 10 or so interested. They vary from 100 to 4,000 cases produced.

Dr. Cottrell noted that there are no wine trails, but the "cluster effect" is slowly developing. Dr. Cottrell used Washington County as an example of an area that is working on a cluster.

Dr. Cottrell showed a graph that demonstrated the cumulative cash flow of various scenarios of investment size into the winery. Dr. Cottrell added that this is not a quick growing business; however, when a winery breaks even depends on the amount invested initially.

Dr. Cottrell stated the items on which the wineries need to focus, as well as points that they need to remember.

Mac Stone, Kentucky Department of Agriculture, updated the Board on the activities of the Kentucky Grape and Wine Council, which received funds from the Agricultural Development Board. Mr. Stone reviewed the make up of the Council and provided some background on the grape and wine organizations in Kentucky.

Mr. Stone explained some of the issues with marketing and production of wines in Kentucky, which surround a Supreme Court ruling governing interstate and intrastate commerce of wines. Mr. Stone recognized that representatives from Alcohol Beverage Control were present. Mr. Stone added that some want all wineries to have to go through the wholesalers to retail, which may be cost prohibitive to some of the smaller wineries.

Mr. Stone stated that the wholesalers in Kentucky are Southern, Horizon, and Commonwealth.

Commissioner Farmer thanked the presenters.

KPAA Study of the Kentucky Vegetable Cooperative System

Commissioner Farmer yielded the floor to Keith Rogers for introduction of the speakers. Mr. Rogers noted that this presentation will take about an hour and then the Board will break for lunch.

Mr. Rogers provided background on the presentation topic, *Creating a Sustainable Vegetable Production and Processing Business in Kentucky*, noting that there is a request in the Update folder to release funds for the next phase of the study. [A copy of the presentation is on file with the Board Secretary.]

Mr. Rogers introduced Kirk Martin with Ascending Partners formerly Co-Bank Business Services. Mr. Martin addressed the change in the business and why they are now Ascending Partners.

Mr. Martin noted that the model being recommended is very different from what currently exists and what the Board has been supporting. Mr. Martin added that regardless of the recommendation there has been success in diversifying producers into other commodities.

Mr. Martin provided background on the current situation, and reviewed the project approach. Mr. Martin noted that Kentucky agriculture is a “just do it” culture – skipping from the idea to building a plant without considering the steps in between.

Mr. Martin stated that the objective of the project was to assess the viability of developing a sustainable vegetable production and processing business model in Kentucky.

Mr. Martin reviewed the project outcomes. Mr. Martin summarized the market assessment findings, noting that Kentucky’s central location offers competitive advantage.

Mr. Martin noted that success in the produce industry is not easy. He illustrated the complexities of the coordinated system between producer, processor, and consumer.

Mr. Martin showed a table of the current cooperatives’ operating data, which shows that the current cooperative model is not sustainable. Mr. Martin addressed why they are not sustainable: supply driven business model, under utilized assets, fragmented/inefficient marketing, poor grower-marketing coordination, inconsistent production performance, and inadequate financial performance and liquidity.

Mr. Martin reviewed the structural options, which showed that Consolidated Operations best fits Kentucky’s system. Mr. Martin shared the attributes of Consolidated Operations.

Mr. Martin reviewed the benefits and risks of consolidation, noting that the biggest risk may lie in not taking action now.

Mr. Martin presented a graph showing the average return to the growers based on the different business structure options.

Mr. Martin defined next steps. Mr. Martin noted that key plan considerations are grower understanding and support; market timing; management approach; transition; and capital structure and requirements.

Mr. Martin shared the project structure and timeline with the Board. He shared the components of the business plan: markets, line functions, enterprise, financial projections, capital & structure, management & governance, implementation milestones, risks, and transition plan.

Mr. Martin showed a timeline of presenting the last phase (business plan) to the Agricultural Development Board in January 2006.

Commissioner Farmer thanked the presenters and yielded the floor to Mr. Rogers.

Mr. Rogers noted that Larry Snell, KCCD, was out-of-state today and could not be present, but was supportive of the ADB funding phase IV of the study.

Mr. Rogers noted that copies of the Grape and Wine presentation will be mailed to the members.

The Board recessed until 1:00 p.m. for lunch.

The Commissioner called the meeting to order at 1:05 p.m.

Swine Finishing

Commissioner Farmer yielded the floor to Keith Rogers to introduce the speaker. Mr. Rogers explained that the presentation would be on livestock integration in the swine industry. Mr. Rogers introduced Alan Lutz with Three Rivers Farms, LLC. Mr. Lutz has made a request of the Kentucky Agricultural Finance Corporation and is presenting his idea for the Agricultural Development Board for potential future funding.

Mr. Lutz distributed a copy of his swine marketing plan and Tim Hughes, KAFC Marketing Coordinator, distributed a copy of Mr. Lutz's financing request of KAFC. [*Copies are on file with the Board Secretary.*]

Mr. Lutz provided background on his current facilities. Mr. Lutz shared with the Board his proposal, explaining how the hogs are raised and where they are marketed. Mr. Lutz also provided background information about Swift, and potential for Kentucky pork producers.

Mr. Lutz distributed a letter from Swift to the members. Mr. Lutz showed the Board current facility locations and expansion unit locations, pointing out locations for finishing barns.

Mr. Lutz reviewed changes that have occurred in the swine industry, addressing environmental concerns. Mr. Lutz discussed unit sizes with respect to number of sows and number of finishing hogs.

Mr. Lutz stated that they were looking to work with 25 – 50 Kentucky producers for contract production. Mr. Lutz added that their proposed site models could return \$11,000 per year.

Mr. Lutz reviewed economic information, related to the project: production expansion, facilities needed, inputs, and other economic factors that may impact the Commonwealth.

Mr. Lutz addressed the concerns that the project does not completely fit the guidelines for KAFC programs and the ADB funding guidelines. Mr. Lutz state that he hoped there could be a blend of both programs. Mr. Hughes added that KAFC does have an infrastructure program that will assist with a portion of the proposal. Mr. Lutz indicated that breeding stock and start-up costs are the greatest needs, adding that they are asking for some type of loan guarantee program with KAFC and ADB.

Mr. Hughes drew the Board's attention to the memo, regarding the Livestock Feeding Financing Request. Mr. Hughes shared two possible options for providing assistance.

Questions were taken from the Board.

Commissioner Farmer thanked Mr. Lutz for his presentation.

Executive Director's Report

Commissioner Farmer yielded the floor to Mr. Rogers for the Executive Director's Report.

Mr. Rogers indicated that there were no "No Funding" and no "Pending" recommendations this month.

Mr. Rogers announced that Nicole Ray will be handling travel vouchers. Mr. Rogers also introduced Angela Blank as the new Communications Officer.

Mr. Rogers made the Board aware of a letter he sent to the vegetable cooperatives, requesting that financial information be submitted by November 10.

Mr. Rogers provided a review of the Tobacco Settlement Agreement Fund Oversight Committee.

Mr. Rogers yielded the floor to Mr. Hughes for an update on KAFC. Mr. Hughes updated the Board on activity of KAFC programs. Mr. Hughes indicated that there is a lot of interest in the Infrastructure Loan Program.

Mr. Rogers asked the Board to review the memo titled: Loan Limit for KAFC, which needs Board action. [*Memo on file with Board Secretary.*] Mr. Cleaver moved to support KAFC's move to increase their loan limit to \$5,000,000; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. Rogers yielded the floor to Catherine Ball for an update on Phase II. Ms. Ball indicated that Judge Tenille ordered that the tobacco companies make the fourth quarter payment, plus 8% interest. The companies have 10 days to make the payment, unless they plan on appealing the ruling. Mr. Rogers indicated that the first three quarters have been released to the Trust.

Mr. Rogers added that Kentucky only took assignment on \$114 million; anything over \$114 million must go to producers, based on the 2004 distribution process.

Mr. Rogers drew the Board's attention to a letter from the health groups.

Mr. Rogers yielded the floor to Joel Neaveill to cover the Agricultural Development Fund financial information. [*Copies on file with the Board Secretary.*] Mr. Rogers segued by adding that there is a problem facing the Fund.

Mr. Neaveill reviewed the preliminary estimates of the biennial budget for 2007-2008. Mr. Neaveill stated that next March an independent consultant will determine if there has been a significant drop in market shares, related to MSA enforcement for non participating manufacturers.

Mr. Neaveill noted that debt service payments are constant. Mr. Neaveill summarized that the Board is facing a reduction in the MSA payments, but it should not have a significant impact on projects.

Mr. Neaveill reviewed the current Agricultural Development Fund financial breakdowns.

Mr. Rogers indicated that the ADF will probably have to pay interest on the Bond, but will be released from its obligations to that Bond, if the State decides to use it for other purposes.

Mr. Cleaver asked about the reduction of projected county funds from 2006 to 2007. Mr. Neaveill indicated that it is a proportional drop, based on what the State receives. Mr. Cleaver noted that Counties will want to be aware that they will be receiving fewer funds than in the past.

Mr. Rogers noted that the forecasting group may be asked to present at a later date.

Mr. Rogers drew the Board's attention to the tentative agenda for the Planning Meeting in November, as well as the questions to be posed to the industry groups that will present to the Board. Mr. Rogers reviewed the tentative agenda. Mr. Rogers noted that the Policy Review Committee will be meeting to bring recommendations to the full Board at the planning meeting.

Mr. Rogers asked that if members have questions about their room arrangements to let Angela Blank know.

Mr. Rogers noted that the Horticulture Council grant request will remain in pending status until December. However, because of budgeting at UK, they will need a decision in December.

Mr. Rogers announced that the December Board meeting will be December 16, 2005 in Frankfort, and the next KAFC meeting will be November 4, 2005 in Owensboro.

Old Business

Wooden Impressions – Request for Extension

Commissioner Farmer yielded the floor to Mr. Rogers for discussion of the Wooden Impressions request. Mr. Rogers indicated that there has been difficulty in reaching a consensus with Dan Reeder, Wooden Impressions, regarding their legal agreement. Mr. Rogers indicated that this project's approval expired October 15, 2005 (6-months from date of approval).

Mr. Rogers indicated that this project is complicated that one entity will be receiving the funds (Wooden Impressions) and another entity will be providing the forgiveness (Northern KY Cedar). Mr. Rogers indicated that it was an oversight that the staff recommendation did not spell out that all three parties must sign the agreement. Mr. Rogers indicated that attempts have been made over the summer to reach a consensus on the agreement.

Since this was a new start up, a personal guaranteed was asked of Mr. Reeder. Mr. Reeder did not agree to that, but did agree to have Northern KY Cedar sign the promissory note. Mr. Reeder feels that assets of both companies are tied up. Mr. Reeder also feels that the tobacco dependency documentation requirement is too stringent. Mr. Rogers pointed out the Boards policy with regards to tobacco dependency. Mr. Rogers also indicated another option for proof of dependency was added that is not in the previous policy (warehouse check or other method to show sale of tobacco).

Mr. Rogers stated that he feels that he and Mr. Reeder have worked in good faith to come to an agreement. Mr. Rogers recommended that Mr. Reeder be given until 4:30 p.m. October 31, 2005 to bring signed documents related to this project to the Governor's Office of Agricultural Policy. If they are not received, then the project approval expires and the project is withdrawn.

Mr. Rogers yielded the floor to Mr. Reeder to address the Board. Mr. Reeder thanked the Board for allowing him to speak. Mr. Reeder stated that Northern Kentucky Cedar is not a borrower in this, since none of the assets of Northern Kentucky Cedar could be used as match. Mr. Reeder did indicate that Northern Kentucky Cedar was submitted as a guarantor, but would not submit financials. Mr. Reeder stated that he and his attorney feel that Northern Kentucky Cedar is tied up in the project as the current agreement is written.

Mr. Reeder indicated that tracking the dependency would take a lot of resources to keep those who were separate from those who are not. He also stated that the tobacco farmers from whom he has asked to provide documentation were unable to do so. Mr. Reeder indicated that as written if Northern Kentucky Cedar (NKC) does not meet its forgiveness then Wooden Impressions is liable for the balance of payment. Therefore, NKC does not need to be tied up in the agreement. Mr. Reeder indicated that there is a record number of logs coming to them, and the market is saturated.

Mr. Lawson moved that Mr. Reeder be given until 4:30 p.m. EST on October 31, 2005 to deliver to the Governor's Office of Agricultural Policy an executed copy of the September 10, 2005 documents. If he chooses not to do so, then the approval on this project will end and application A2005-0076 with its April 15, 2005 approval will be considered withdrawn; Don Goodin seconded the motion. The motion passed without dissent.

Mr. Rogers thanked Mr. Reeder for coming to the meeting.

KPAA Funding Request for Phase IV of the Study

Commissioner Farmer yielded the floor to Brian Furnish for review of the KPAA request. Mr. Furnish reviewed his memo that was sent to the members prior to this meeting. Mr. Furnish stated that this is the formal approval of funds that were set aside at a special meeting January 7, 2005 for this purpose, if the Board chooses.

Mr. Furnish recognized Brent Lackey, Executive Director of KPAA, as being present.

Mr. Lawson moved that KPAA be approved for \$44,500 of KCADE funds on a reimbursement basis for Phase IV of the KPAA feasibility study of the state's vegetable cooperative system, subject to the CEO's review; Mr. Barlow seconded. The motion passed without dissent.

Bardstown/Nelson County Farmers' Market Request

Commissioner Farmer yielded the floor to Bill McCloskey for review of the request. Mr. McCloskey reviewed his memo that was in the members' Update Folders. Mr. McCloskey noted that the project has experienced a change in location and their 6-month term to execute the agreement has expired. Mr. McCloskey indicated that they would like to have until the end of the year. Mr. Mahan moved; Mr. Griffin seconded.

Mr. Rogers indicated that the documents need to be created, which will take time. Mr. Rogers added that the Council will be asked to reconsider, because of the location change.

The motion passed without dissent.

New Business

Referral of August Projects¹

Mr. Rogers presented projects A2005-0509 through A2005-0553 for referral to the Board's Project Review Committees. Case moved that "projects A2005-0509 through A2005-0553 be referred the Board's Project Review Committees;" Amburgey seconded the motion. The motion passed without dissent.

Approval of Model Programs²

Commissioner Farmer submitted projects A2005-0506, A2005-0509, A2005-0535, and A2005-0550 as projects meeting the model **Agricultural Diversification Program** guidelines.

Mr. Rogers noted that the Butler county Aquaculture Industry Team, Inc. (A2005-0535) requested \$50,000 in state funds for this model program; however, since it is Board policy to not provide state funds for model programs, the Board will only be considering the county funds for approval.

Commissioner Farmer submitted projects A2005-0505, A2005-0530, A2005-0537, A2005-0540, and A2005-0541 as projects meeting the model **Cattle Genetics Improvement Program** guidelines.

Commissioner Farmer submitted projects A2005-0510, A2005-0515, A2005-0521, A2005-0525, A2005-0538, and A2005-0551 as projects meeting the model **Cattle Handling Facilities Program** guidelines.

Commissioner Farmer submitted projects A2005-0503, A2005-0517, A2005-0520, A2005-0522, and A2005-0552 as a project meeting the model **Dairy Diversification** guidelines.

¹ A detailed list of the referred projects is attached as Appendix A.

² A detailed list of projects funded under each model program category is attached as Appendix B.

Commissioner Farmer submitted projects A2005-0524 and A2005-0528 as projects meeting the model **Farm Livestock Fencing Improvement Program** guidelines.

Commissioner Farmer submitted projects A2005-0512, A2005-0529, A2005-0532, A2005-0539, and A2005-0553 as projects meeting the model **Forage Improvement & Utilization Program** guidelines.

Commissioner Farmer submitted project A2005-0527 as a project meeting the model **Goat Diversification Program** guidelines.

Commissioner Farmer submitted projects A2005-0511, A2005-0514, A2005-0518, and A2005-0523 as projects meeting the model **Hay, Straw & Commodity Storage Program** guidelines.

Commissioner Farmer submitted project A2005-0513 as a project meeting the model **Shared-use Equipment Program** guidelines.

Commissioner Farmer submitted projects A2005-0504 and A23005-0507 as projects meeting the model **Technology Program** guidelines.

Mr. Case moved the said applications be approved for the named model programs; Mr. Dick seconded the motion. The motion passed without dissent.

Review of Amendments & Withdrawals

Mr. Rogers presented the following amendment for approval.

A2005-0109, Caldwell-Lyon Cattlemen's Association, Inc., was approved for \$25,000.00 on May 20, 2005. The applicant requests an additional \$12,000.00 for the Hay, Straw, and Commodity Storage Program in Caldwell County. The request received a High priority from the Caldwell County Council. Approval of this request would bring the program total to \$37,000.00.

A2005-0339, Mountain Cattlemen's Association (Perry Co.), was approved for \$3,775.00 on July 27, 2005. The applicant requests an additional \$1,030.00 for the Cattle Genetics Improvement Program in Perry County. The request received a High priority from the Perry County Council. Approval of this request would bring the program total to \$4,805.00.

The terms of the original agreements for both programs shall remain the same. Mr. Moore moved that said amendments be approved; Mr. Mahan seconded the motion. The motion passed without dissent.

Mr. Rogers presented the following projects that are requesting to be released from their legal agreements.

A2004-0050, Mountain Cattlemen's Association was approved in January 2005 for \$19,000 in state funds and \$5,500 in county funds to purchase a 3,840 cubic foot walk-in refrigeration unit. The unit was to be made available to fruit growers and other producers in the region. The applicant requests release from this agreement, because of a fire at the facility that destroyed the restaurant and winery associated with the project.

A2005-0058, Eastern Kentucky Goat Producers Association was approved in March of 2005 for \$1,200 in Jackson County funds for the Goat Diversification Program. The applicant requests release from this agreement, because they have transferred administration of this program to the Appalachian Alternative Agriculture of Jackson County, Inc.

Mr. Griffin moved that A2004-0050 and A2005-0058 be released from their legal agreements for the reasons stated; Mr. Cleaver seconded the motion. The motion passed without dissent.

Mr. Rogers reviewed the following projects that were withdrawn by the applicant prior to any Board action.

A2004-0168, AgroVenture Partners, LLC was requesting \$980,000 of state Agricultural Development Funds and \$270,000 in county Agricultural Development Funds to establish a processing facility in Guthrie (Todd County), Kentucky to procure quality hay produced in the mid-south region of Kentucky that can be processed and sold as quality compressed hay targeted to the equine industry.

The applicant requested in March 17, 2005 correspondence to withdraw their application, because they were not prepared for the administrative and regulatory realities that accompany requests for large grants of public funds.

A2004-0436, Green River Area Beef Improvement Group, Inc. withdrew this request to implement the Forage and Resource Utilization Program in Daviess County in a letter dated September 22, 2004 for \$12,000. There were not enough Daviess County funds available to cover this request and three other requests that included Genetics 2004-0435 (\$12,000), Cattle Handling 2004-0435 (\$46,290) and Hay, Straw and Commodity Storage 2004-0437 (\$7,202).

A2004-0466, The Kentucky Horticulture Council was requesting \$234,758 of State funds for a marketing/ management addendum to the proposal funded by the ADB in January 2004. The marketing/ management, education, and marketing research components were deferred from the original proposal for further clarification and refinement.

The applicant withdrew this request in a letter dated 8/5/2005, because they were going to submit a new proposal. [The new proposal is A2005-0464, which is pending.]

A2004-0498, ALH Holding Company was requesting \$25,000 of Woodford County funds and \$388,617.18 of State funds to acquire land and construct a farmers' market in downtown Versailles.

The applicant has withdrawn the project, because they could not obtain the 50% match for their project.

A2005-0337, the Daviess County Conservation District was requesting \$6,300 in Daviess County funds to administer the Shared Use Model Program in Daviess County. The applicant assumed that they could administer the Shared Use program and allow individual producers to apply to the county council for cost-share funds on share-used equipment. The applicant withdrew the request in early October.

A2005-0314, Taylor County Cattlemen's Association, Inc. was requesting \$71,000 to administer the Taylor County Beef Diversification Project. This project included 50% cost-share reimbursement on renovation of existing beef or tobacco barns for renovation into beef facilities, manure spreaders, irrigation equipment, no-till drills and specialized harvest equipment.

The applicant is withdrawing this request for a non-model project and is submitting requests for amendments during the model program review this fall.

A2005-0316, the Taylor County Farm Bureau was requesting \$41,000 for the Taylor County Grain Diversification Project, which would include 50% cost-share reimbursement on pesticide application equipment and protective gear, no-till planting equipment, no-till tillage equipment, combine heads and transport wagons, and combines.

The applicant is withdrawing this request for a non-model project and is submitting requests for amendments to Model Programs during the review this fall.

A2005-0448, the Alley Farms was requesting \$6,900 under the Agri-tourism Competitive Awards Program for 50% of the cost of renovating an existing greenhouse and building a second greenhouse.

This project did not meet guidelines of the agri-tourism program; therefore, the applicant is withdrawing the request and is going to apply under the local Agricultural Diversification Model Program for this project.

Recommendations for Funding

Mr. Rogers yielded the floor to Bill McCloskey for the first presentation.

Bill McCloskey presented **A2005-0053, John's Custom Meats**. The application received a high priority from Warren County. John Rediess, doing business as John's Custom Meats, requested \$250,000 to upgrade from 1,500 square foot custom operation to a new 4,000 square foot USDA inspected slaughter/processing facility with retail operations in Warren County.

Mr. McCloskey noted that the ADB would have a second position to South Central Bank. Mr. McCloskey reviewed the proposed terms and conditions for the project, including forgiveness structure.

Mr. Griffin moved that **A2005-0053 be approved for \$244,500 in state funds, as a forgivable loan, and \$5,500 in Warren County funds, as a grant** with satisfactory execution of contract; Mr. Barlow seconded the motion. The motion passed without dissent.

Maggie May presented **A2005-0270, City-County Fair Association, Ltd.** The application received a high priority from Cumberland County. The City-County Fair Association requested \$27,000 in Cumberland County funds to construct a 50 X 70 metal building to be used in conjunction with a nearby pavilion for agricultural activities and seminars including: an all-weather farmer's market; livestock sales; livestock breeding, judging and showing; agricultural equipment shows and sales; crop production seminars; 4-H and FFA activities; farm safety demonstrations; and Cattlemen's Association activities and events.

Ms. May indicated that this application was originally submitted under the 2005 Farmers' Market Competitive Grant program, but changed the focus of the project to be beyond the scope of that program.

Mr. Barlow moved that **A2005-0270 be approved for \$27,000 in Cumberland County funds**; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. McCloskey presented **A2005-0329, Monroe County 4-H Council, Incorporated.** The application received a high priority from Monroe County. The Monroe County 4-H Council requested \$12,500 in Monroe County Agricultural Development Funds to purchase corral panels, audio system, judging support materials and educational materials for the purpose of providing youth and adult livestock sales, shows and educational programs.

Though the Monroe County Council ranked this application a high priority, they committed only \$3,500 of the request. However, the applicant is only providing match in the amount of \$2,556 for the equipment, which is half of the equipment costs.

Mr. Dick moved that **A2005-0329 be approved for \$2,556 in Monroe County funds**; Mr. Cleaver seconded the motion. The motion passed without dissent.

Ms. May presented **A2005-0331, Cumberland Thoroughbred Training Center, LLC.** The application received a high priority from Cumberland County. The Cumberland Thoroughbred Training Center, LLC requested \$45,000 in state funds and \$29,000 in Cumberland County funds for materials, equipment and building expenses in the construction of an equine training facility.

Though the Cumberland County Council ranked this project a high priority, they committed only \$7,500 of the request.

Mr. Moore moved that **A2005-0331 be approved for \$7,500 in Cumberland County funds and denied their request for state funds**; Mr. Lawson seconded the motion. The motion passed with dissent [1-nay, Mr. Cleaver].

Mr. McCloskey presented **A2005-0353, Southern Kentucky Regional Farmers' Market, Inc.** The application received a high priority from Warren County. The Southern Kentucky Regional Farmers' Market, Inc. requested \$6,500 in Warren County Agricultural Development Funds and \$6,500 in State Agricultural Development Funds as part of a \$22,550 marketing budget for 2006 to operate the "producer only" market outlet in Bowling Green.

Mr. Case moved that **A2005-0353 be approved for \$6,500 in Warren County funds and denied their request for state funds**, since their request did not fit the guidelines for state funds under the *Farmers' Market Competitive Grants Program*; Mr. Dick seconded the motion. The motion passed without dissent.

Mr. McCloskey presented **A2005-0385, McLean County Fiscal Court.** The application received a high priority from McLean County. The McLean County Fiscal Court requested \$15,000 in McLean County Agricultural Development Funds to construct a 40 foot by 100 foot multi-functional post frame open sided structure, adjacent to the existing McLean County 4-H Activities Center at Myer Creek Park in McLean County. The McLean County 4-H Activities Center provides the agriculture community with the facilities to provide youth and adult livestock sales, shows, and educational programs. The total cost of the building is estimated to be \$35,250.

Ms. Amburgey moved that **A2005-0385 be approved for \$15,000 in McLean County funds and denied their request for state funds**; Mr. Goodin seconded the motion. The motion passed without dissent.

Stephen Yates presented **A2005-0403, Farm and Garden Market Cooperative Association, Inc.** The application received a high priority from Fayette County. The Farm & Garden Marketing Cooperative Association, Inc. requested \$12,500 in state funds & \$12,500 in Fayette County funds to conduct a feasibility study for a permanent location for the Lexington Farmers' Market in downtown Lexington.

Though the Fayette County Council gave it a high priority, they approved only \$6,250 of the county funds requested. This reduction in funds has made the applicant change the scope of the study, which will now be looking at across the board requirements needed for a permanent location, regardless of the specific downtown site.

Mr. Cleaver moved that **A2005-0403 be approved for \$6,250 in Fayette County funds and \$6,250 in state funds** through the *Farmers' Market Competitive Grants Program*; Mr. Mahan seconded the motion. The motion passed without dissent.

Mr. Yates presented **A2005-0445, Hurstland Farm, Inc.** Hurstland Farm, Inc. requested \$50,000 of state funds as part of the *Agri-tourism Competitive Awards Program* for converting a former tobacco barn into a 14-stall Thoroughbred barn. The barn would also house a museum, as well as a gift shop where Kentucky products will be sold.

Mr. Yates updated the Board on the applicant's Kentucky producer vendor base – 13 producers in 9 counties.

Mr. Yates recognized Mr. Knuckles with Hurstland Farm as being present.

Mr. Lawson moved that **A2005-0445 be approved for \$50,000 in state funds as a forgivable loan** through the *Agri-tourism Competitive Grants Program*; Mr. Mahan seconded the motion. The motion passed without dissent.

Ms. May presented **A2005-0470, Johnson County Agricultural Advancement Council.** The application received a high priority from Johnson County. The Johnson County Agricultural Advancement Council requested \$12,000 in Johnson County funds to administer a heifer replacement program.

Ms. May noted that this program is the same as the program that was approved for Perry County.

Mr. Cleaver moved that **A2005-0470 be approved for \$12,000 in Johnson County funds**; Mr. Case seconded the motion. The motion passed without dissent.

Ms. May presented **A2005-0491, Whitley County Small Farms Project, Inc.** The application received a high priority from Whitley County. Whitley County Small Farms Project, Inc. is requesting \$25,000 in Whitley County funds to administer a heifer chain project.

This program provides a heifer chain, as well as educational services for participating farmers, provides shared-use animal handling equipment, cattle tagging equipment and education materials. This program will also promote and educate farmers on the use of electronic ID (EID).

Mr. Moore moved that **A2005-0491 be approved for \$25,000 in Whitley County funds**; Mr. Cleaver seconded the motion. The motion passed without dissent.

Recommendations for No Funding

There were no recommendations for "No Funding" presented in October.

Recommendations for Pending

There were no recommendations for "Pending" presented in October.

Other Business

Adjournment

The next meeting of the Kentucky Agricultural Development Board will be the Annual Planning Meeting and will convene at 9:00 a.m. EST on Friday, November 17 & 18, 2005 at General Butler State Resort Park in Carrollton. Note time and location of meeting subject to change; ample notification will be given if such a change occurs.

The meeting adjourned at 4:00 p.m. EDT.

APPROVED: _____

PRESIDING OFFICER: _____

SECRETARY: _____

APPENDIX A: *Referred for Review*

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2005-0509	Green River Area Development District, Inc.	Agricultural Diversification
A2005-0510	Rockcastle County Cattlemen's Association/SKAD	Cattle Handling Facilities
A2005-0511	Rockcastle County Cattlemen's Association/SKAD	Hay, Straw, & Commodity Storage
A2005-0512	Rockcastle County Cattlemen's Association/SKAD	Forage Improvement & Utilization
A2005-0513	Lawrence County Conservation District	Shared-use Equipment
A2005-0514	Warren County Cattle Producers Association, Inc	Hay, Straw, & Commodity Storage
A2005-0515	Warren County Cattle Producers Association, Inc	Cattle Handling Facilities
A2005-0516	Warren County Conservation District	Project
A2005-0517	Warren County Farm Bureau of Warren County Kentucky	Dairy Diversification
A2005-0518	Warren County Farm Bureau of Warren County Kentucky	Hay, Straw, & Commodity Storage
A2005-0519	Lewis County Honey Products	Project
A2005-0520	Green County Conservation District	Dairy Diversification
A2005-0521	Metcalfe County Cattlemen's Association, Inc.	Cattle Handling Facilities
A2005-0522	Metcalfe County Conservation District	Dairy Diversification
A2005-0523	Lyon County Conservation District	Hay, Straw, & Commodity Storage
A2005-0524	Pendleton County Soil Conservation District	Farm Livestock Fencing Improvement
A2005-0525	Lyon County Farm Bureau	Cattle Handling Facilities
A2005-0526	Clinton/Cumberland Cattlemen's Association, Inc.	Project
A2005-0527	Bourbon County Fiscal Court	Goat Diversification
A2005-0528	Bourbon County Fiscal Court	Farm Livestock Fencing Improvement
A2005-0529	Bourbon County Fiscal Court	Forage Improvement & Utilization
A2005-0530	Bourbon County Fiscal Court	Cattle Genetics Improvement

APPENDIX A: *Referred for Review*

<i>Appl #</i>	<i>Project Name</i>	<i>Project Type</i>
A2005-0531	Clinton County Park/Recreation Board	Shared-use Equipment
A2005-0532	Harrison County Beef Cattle Association, Inc.	Forage Improvement & Utilization
A2005-0533	Appalachian Alternative Agriculture of Jackson County, Inc. Project	
A2005-0534	Butler County Aquiculture Industry Team, Inc.	Project
A2005-0535	Butler County Aquiculture Industry Team, Inc	Agricultural Diversification
A2005-0536	Jessamine County FFA Alumni Association	Project
A2005-0537	Green River Area Beef Improvement Group, Inc.	Cattle Genetics Improvement
A2005-0538	Green River Area Beef Improvement Group, Inc.	Cattle Handling Facilities
A2005-0539	Butler County Stockman's Association, Inc.	Forage Improvement & Utilization
A2005-0540	Butler County Stockman's Association, Inc.	Cattle Genetics Improvement
A2005-0541	Clark County Livestock-Forage Council, Inc.	Cattle Genetics Improvement
A2005-0542	Kentucky Community and Technical College System	Project
A2005-0543	LaRue Beef Cattle Association, Inc.	Cattle Genetics Improvement
A2005-0544	LaRue County Beef Cattle Association, Inc.	Cattle Handling Facilities
A2005-0545	LaRue County Beef Cattle Association, Inc.	Farm Livestock Fencing Improvement
A2005-0546	LaRue County Beef Cattle Association, Inc.	Shared-use Equipment
A2005-0547	Three Rivers Farms, LLC	Project
A2005-0548	Whitley Co. Cattlemen's Association, Inc.	Cattle Genetics Improvement
A2005-0549	Whitley County Cattlemen's Association, Inc.	Project
A2005-0550	Buffalo Trace Area Development District	Agricultural Diversification
A2005-0551	Buffalo Trace Area Development District	Cattle Handling Facilities
A2005-0552	Buffalo Trace Area Development District	Dairy Diversification
A2005-0553	Buffalo Trace Area Development District	Forage Improvement & Utilization

Appendix B: Model Programs Approved

Agricultural Diversification

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0371	The Grant County Agricultural Diversificat	Grant	\$30,000.00
A2005-0360	Henry County Agricultural Diversification A	Henry	\$65,000.00
A2005-0345	Jessamine County Farmer's Market, Inc.	Jessamine	\$20,000.00
A2005-0381	Green River Area Development District, In	McLean	\$16,400.00
A2005-0352	Menifee County Conservation District	Menifee	\$47,495.00
			\$178,895.00

Cattle Genetics Improvement

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0354	Barren County Cattlemen's Association	Barren	\$128,500.00
A2005-0334	Green River Area Beef Improvement Group	Daviess	\$18,900.00
A2005-0348	Fayette County Cattlemen's Association, I	Fayette	\$50,000.00
A2005-0372	Grant County Cattlemen's Association, Inc	Grant	\$30,000.00
A2005-0394	Green River Area Beef Improvement Group	Hancock	\$15,000.00
A2005-0366	Henry County Cattlemen's Association, In	Henry	\$17,000.00
A2005-0399	Jackson Purchase Resource Conservation	Hickman	\$10,609.00
A2005-0328	Johnson County Conservation District	Johnson	\$8,000.00
A2005-0387	Dairy Herd Improvement Incorporated	Logan	\$7,500.00
A2005-0351	Pendleton County Extension District Found	Pendleton	\$75,000.00
A2005-0339	Mountain Cattlemen's Association	Perry	\$3,775.00
			\$364,284.00

Cattle Handling Facilities

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0355	Barren County Cattlemen's Association	Barren	\$149,000.00
A2005-0335	Green River Area Beef Improvement Group	Daviess	\$54,600.00
A2005-0370	The Grant County Agricultural Diversificat	Grant	\$30,000.00
A2005-0395	Green River Area Beef Improvement Group	Hancock	\$50,000.00
A2005-0363	Henry County Cattlemen's Association, In	Henry	\$42,000.00
A2005-0389	Logan County Cattlemen's Association Inc	Logan	\$25,189.00
A2005-0383	Green River Area Beef Improvement Group	McLean	\$23,000.00
			\$373,789.00

Dairy Diversification

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0357	Barren River Area Development District	Barren	\$150,000.00
A2005-0359	Henry County Agricultural Diversification A	Henry	\$20,000.00
A2005-0386	Dairy Herd Improvement Incorporated	Logan	\$7,500.00
			\$177,500.00

Farm Livestock Fencing Improvement

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0379	Kentucky Ketch, Inc.	Clay	\$100,000.00
A2005-0346	Fayette County Cattlemen's Association, I	Fayette	\$100,000.00
A2005-0374	Grant County Cattlemen's Association, Inc	Grant	\$30,000.00
A2005-0364	Henry County Cattlemen's Association, In	Henry	\$59,000.00
			\$289,000.00

Forage Improvement & Utilization

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0375	Grant County Cattlemen's Association, Inc	Grant	\$30,000.00
A2005-0362	Henry County Cattlemen's Association, In	Henry	\$25,000.00
A2005-0382	Green River Area Beef Improvement Group	McLean	\$23,000.00
A2005-0341	Menifee County Conservation District	Menifee	\$60,000.00
			\$138,000.00

Appendix B: Model Programs Approved

Goat Diversification

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0356	Barren River Area Development District	Barren	\$20,000.00
A2005-0333	Green River Area Development District, In	Daviess	\$5,000.00
A2005-0369	The Grant County Agricultural Diversificat	Grant	\$10,000.00
A2005-0380	Green River Area Development District, In	McLean	\$10,000.00
			\$45,000.00

Hay, Straw, & Commodity Storage

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0376	Grant County Cattlemen's Association, Inc	Grant	\$30,000.00
A2005-0396	Green River Area Beef Improvement Group	Hancock	\$50,000.00
A2005-0365	Henry County Cattlemen's Association, In	Henry	\$25,000.00
A2005-0392	Logan County Conservation District	Logan	\$35,000.00
A2005-0344	Menifee County Beef Producers, Inc.	Menifee	\$46,000.00
			\$186,000.00

Shared-use Equipment

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0393	Grayson County Conservation District	Grayson	\$7,681.00
A2005-0349	Jessamine County Beef Cattle Association,	Jessamine	\$9,000.00
			\$16,681.00

Technology

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0336	Daviess County Conservation District	Daviess	\$35,700.00
A2005-0347	Fayette County Cattlemen's Association, I	Fayette	\$25,000.00
A2005-0384	Green River Area Development District, In	McLean	\$24,600.00
			\$85,300.00

Timber Production, Marketing & Utilization

<u>Application</u>	<u>Program Administrator</u>	<u>County</u>	<u>Funds Requested</u>
A2005-0361	Henry County Agricultural Diversification A	Henry	\$10,000.00
			\$10,000.00

Total County Funds Approved for Model Programs: \$1,700,103.00